

Message Text

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ORIGIN NEA-10

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DRAFTED BY NEA/IAI:JCOVEY:MGK
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C O N F I D E N T I A L STATE 175481

E.O. 11652: GDS

TAGS: ENRG, PBOR, IS, EG

SUBJECT: ISRAELI OIL EXPLOITATION IN SINAI

REF: CAIRO 16596

1. JOSEPH VARDI, DIRECTOR GENERAL ISRAELI ENERGY MINISTRY
(ACCOMPANIED BY EPHRIAM EYLON, DIRECTOR MFA ENERGY OFFICE)
PAID COURTESY CALL ON DEPUTY ASSISTANT SECRETARY BOSWORTH
(EB/ORF). BOSWORTH USED OCCASION TO RAISE ISSUE OF ISRAELI
EXPLOITATION OF PETROLEUM RESOURCES IN SINAI, MAKING
FOLLOWING POINTS:

-- WE HAVE CONCLUDED AND HAVE ON SEVERAL OCCASIONS
ADVISED GOI THAT WE CONSIDER THE ISRAELI-SPONSORED
ACTIVITIES IN OCCUPIED SINAI TO BE ILLEGAL.

-- AS AN OCCUPYING POWER, ISRAEL DOES NOT HAVE THE RIGHT
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TO DEVELOP NEW OIL FIELDS OR MINES. EXISTING MINERAL
RESOURCES MAY BE EXPLOITED ONLY FOR PURPOSES RELATING TO
THE OCCUPATION, NOT FOR ENHANCING THE ECONOMY OF THE
OCCUPYING POWER.

-- WE UNDERSTAND A NEW WELL IN THE "ALMA" FIELD MAY SOON
BE BROUGHT INTO PRODUCTION, AND WE FORESEE FURTHER COMPLI-

CATIONS AS A RESULT.

-- THE USG BELIEVES THAT ISRAEL'S CONTINUED EXPLOITATION OF EGYPTIAN RESOURCES AND ITS HARASSMENT OF EGYPTIAN-SPONSORED EXPLORATION ACTIVITIES DO NOT CONTRIBUTE TO THE POLITICAL ATMOSPHERE NECESSARY TO FOSTER THE ONGOING MIDDLE EAST PEACE NEGOTIATIONS.

-- THE USG IS AWAITING THE ISRAELI GOVERNMENT'S RESPONSES TO OUR LATEST -- JUNE 6 -- DEMARCHE REGARDING THIS MATTER.

2. VARDI EXPRESSED A STRONG DEFENSE OF THE ISRAELI POSITION, ARGUING THAT HE COULD NOT SEE HOW THE ISRAELI ACTIONS COULD BE AN OBSTACLE TO THE PEACE PROCESS. ON THE CONTRARY, IT SHOULD ACT AS A STRONG INCENTIVE TO BOTH SIDES TO SETTLE. VARDI SAID ARRANGEMENTS ISRAEL HAS MADE WITH THE 'SG TO ASSURE ITS OIL SUPPLY IN THE EVENT OF AN EMBARGO WOULD BE INVALUABLE IN AN EMERGENCY, BUT THEY ARE NO SUBSTITUTE FOR THE KIND OF ASSURED SUPPLY THAT WOULD FOLLOW A PEACE SETTLEMENT. EGYPT WOULD BE ISRAEL'S NATURAL PEACETIME SUPPLIER, VARDI SAID. THE SUPPLIES ARE CLOSE AT HAND, AND CONSIST OF PRECISELY THAT SORT OF HEAVY CRUDE ISRAELI INDUSTRY IS GEARED TO CONSUME. ISRAEL WOULD FIND IT DIFFICULT TO UTILIZE OTHER TYPES OF OIL, AND EGYPT WOULD HAVE DIFFICULTY DISPOSING OF ITS LOW-GRADE CRUDE ELSEWHERE.

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3. VARDI MAINTAINED THAT A COMMERCIALY DEVELOPED OIL FIELD IS WORTH MUCH MORE THAN ONE THAT IS UNDERDEVELOPED. HE SAID THAT THE ALMA FIELD COULD NOT BE BROUGHT TO FULL PRODUCTION FOR SEVERAL YEARS. HE NOTED THAT FOUR WELLS HAVE ALREADY BEEN DRILLED BUT ESTIMATED THAT AT LEAST 15 MORE WELLS WOULD HAVE TO BE DRILLED TO FURTHER DELINEATE THE FIELD AND MOVE IT TOWARD FULL PRODUCTION. AT THE RATE OF ONE WELL DRILLED EVERY TWO MONTHS EVEN THIS PROGRAM WOULD NOT BE COMPLETED BEFORE 1981. HE SUGGESTED THAT THE FIELD WOULD CONTINUE TO APPRECIATE IN COMMERCIAL VALUE FAR BEYOND THAT DATE; ANY DECLINE IN VALUE COMING ONLY WHEN IT BECOMES CLEAR THAT RESERVES WERE REACHING DEPLETION LEVELS -- A SITUATION THAT VARDI ESTIMATED WAS YEARS AWAY. HE STATED THAT EGYPT BADLY NEEDS THE FOREIGN EXCHANGE THESE WELLS COULD PROVIDE. HENCE, THE MORE ISRAEL DOES TO ENHANCE THE COMMERCIAL VALUE OF SINAI OIL FIELDS THE GREATER THE INCENTIVE TO EGYPT TO SETTLE. CHRISTOPHER

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O,
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